

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS****Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets:**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,087,533 thousand difference are as follows (in thousands):

Bonds payable	\$ 866,735
Less: Deferred charge on refunding (to be amortized as interest expense)	(14,475)
Deferred charge for issuance costs (to be amortized over life of debt)	(4,082)
Plus: Unamortized premiums on bonds sold	26,882
Special assessment debt	15
Claims and judgments payable	700
Accrued interest payable	4,977
Capital leases payable	136,445
Compensated absences	68,812
Unemployment compensation payable	1,347
Rebutable arbitrage	<u>177</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 1,087,533</u>

**Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$55,333 thousand difference are as follows (in thousands):

Capital outlay	\$ 86,746
Depreciation expense	<u>(31,413)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 55,333</u>

**NOTE 2 – CONTINUED**

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets." The details of this \$41,756 thousand difference are as follows (in thousands):

In the statement of activities, only the gain on the sale of capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book value of the capital assets sold.	\$ (24,979)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	76,918
Book value of capital assets transferred to business-type activities	<u>(10,183)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 41,756</u>

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds." The details of this \$445 thousand difference are as follows (in thousands):

Property tax accrual	\$ 101
Surface Water Management service charge accrual	358
Probation and parole service charge accrual	131
Work release service charge net accrual	(90)
Fines and forfeits net accrual	<u>(55)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 445</u>

**NOTE 2 – CONTINUED**

Another element of that reconciliation states, "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$101,406 thousand difference are as follows (in thousands):

Debt issued or incurred	
Issuance of general obligation bonds	\$ (6,783)
Issuance of refunding bonds	(38,330)
Letter of credit drawdown	(4,716)
Letter of credit repayment (issuance of bonds)	6,783
Premium on bonds issued	(1,633)
Bond issuance costs	384
Bonds transferred to business-type activities	5,635
Principal repayments	83,432
Receipts from component units for principal repayments	(937)
Deferred charges on refunding	2,153
Payment to escrow agent for refunding	<u>55,418</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances – total governmental funds to arrive at</i> <i>changes in net assets of governmental activities</i>	<u>\$ 101,406</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$901 thousand difference are as follows (in thousands):

Claims and judgments	\$ 1,191
Compensated absences	(3,392)
Accrued unemployment compensation	(76)
Accrued rebatable arbitrage	(77)
Accrued interest	843
Amortization of issuance costs	(690)
Amortization of deferred charge on refunding	(3,476)
Amortization of bond premiums	<u>4,776</u>
Net adjustment to decrease <i>net changes in fund</i> <i>balances – total governmental funds to arrive at</i> <i>changes in net assets of governmental activities</i>	<u>\$ (901)</u>

**NOTE 2 – CONTINUED**

Another element of that reconciliation states, "Net revenues and expenses of certain activities of internal service funds are reported with governmental activities." The details of this \$8,077 thousand difference are as follows (in thousands):

Investment interest earnings	\$ 7,134
Revenues related to services provided to outside parties	2,095
Expenses related to services provided to outside parties	(2,047)
Gain on disposal of capital assets	425
Interest on long-term debt	(58)
Capital contributions	1,296
Transfers in	1,984
Transfers out	(4,165)
Internal service fund losses allocated to governmental activities	<u>1,413</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 8,077</u>

**Explanation of certain differences between the Proprietary Fund Statement of Net Assets and the Government-wide Statement of Net Assets:**

The proprietary fund statement of net assets includes a reconciliation between *net assets – total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The assets and liabilities of one internal service fund, Wastewater Equipment Rental Fund, are included in the business-type activities in the statement of net assets because the fund was established to serve the Water Quality Enterprise. The details of this \$8,165 thousand difference are as follows (in thousands):

Net assets of the business-type activities internal service fund	\$ 8,281
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds – prior years	(22,494)
Internal payable representing the amount undercharged to the enterprise funds by the governmental activities internal service funds – current year	<u>6,048</u>
Net adjustment to decrease <i>net assets – total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	<u>\$ (8,165)</u>

**NOTE 2 – CONTINUED****Explanation of certain differences between the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Government-wide Statement of Activities:**

The proprietary fund statement of revenues, expenses, and changes in fund net assets includes a reconciliation between *change in net assets – total enterprise funds* and *change in net assets of business-type activities* as reported in the government-wide statement of activities. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$6,363 thousand difference are as follows (in thousands):

Investment interest earnings	\$ 193
Revenues related to services provided to outside parties	6
Expenses related to services provided to outside parties	(6)
Gain on disposal of capital assets	95
Transfers out	(303)
Internal service fund losses allocated to business-type activities	<u>6,378</u>
Net adjustment to increase <i>change in net assets – total enterprise funds</i> to arrive at <i>change in net assets of business-type activities</i>	<u>\$ 6,363</u>